

What You Need to Know About Rising Health Care Costs

It's no secret health care costs are rising. Unfortunately, you can expect to pay more for your health care coverage in 2002. While the state will increase its subsidy for Medicare retirees in 2002, it is not expected to cover all the cost increases for retirees.

Over the past several years, the cost of providing health care coverage has increased more than 10% each year for state non-Medicare retirees, and even more for Medicare retirees. There are several reasons why costs continue to increase, but the two biggest culprits are rising prescription drug costs and increased use of health care services.

Drug spending is going up

Over the past couple of years, industry estimates indicate that prescription drug prices are increasing 15% to 20% annually. Nationally, total drug spending went from \$37.7 billion in 1990 to \$100.6 billion in 1999.

What is driving up drug spending?

Pharmaceutical companies are spending more money on drugs, both in the areas of research and development, and in marketing. In turn, the development of new drugs and increased marketing are causing people to use more drugs. Employers and consumers are footing the bill.

Research and development

Pharmaceutical companies spend over \$17 billion annually on the research and development of new drugs. Just in the past few years, new drugs have been developed to treat illnesses that previously had no treatment. In addition, new drugs have been developed that not only save lives but enhance lifestyles. This includes drugs that treat sexual dysfunction or hair loss.

Drug usage

More people are using drugs than ever before. Pharmaceutical companies spend over \$8 billion per year on marketing, including \$1.3 billion on direct-to-

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What To Look For in the Fall Issue

- Any health plan or benefit changes for 2002
- Open enrollment dates and benefits fairs schedule
- Information on rates for 2002

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consumer marketing (television and magazine ads that urge you to get a prescription from your doctor). Doctors tend to prescribe these drugs more, because the pharmaceutical companies market directly to them too. The drugs that are heavily advertised are the top sellers, but they cost more because of that advertising overhead. Also, a larger percentage of the general population is at an age where maintenance medication is more common.

Better educated consumers

Consumers have become more educated about their health care options — they no longer passively accept the directives from their doctors or other providers, but seek second opinions and alternative treatments. These developments have improved the quality of health care services, but have also increased costs as more providers are involved in a patient's treatment. In addition, it costs more to provide health care to retirees because they're older and often use more health care services.

What can you do?

Request lower-cost generic drugs or drugs from your health plan's formulary (preferred drug list). When your doctor prescribes medication, ask if a generic drug or a less expensive name-brand drug will work just as well as a drug you may have heard about on a television advertisement. The difference in cost can be significant. For instance, the antidepressant Prozac costs over \$1,400 per year*. An equivalent drug, Zoloft, is \$780 per year*. Another example is the nonsedating antihistamine Claritin, which costs \$804 for a patient to use over the course of a year*. An equivalent drug like Zyrtec can be substituted at a cost of \$660 per year*. Choosing a generic alternative or a formulary drug not only saves you money, but also helps your employer and health plan keep their costs down. Also, if you take certain prescriptions on a regular basis, you may be able to save money by using your plan's mail-order prescription drug program. Contact your plan for details.

* Estimated cost

We Heard You! Results From the Open Enrollment Survey...

Thanks to all of you who shared your comments through last fall's open enrollment survey. Here's what we heard:

- One of the most important factors in choosing a health plan is your choice of doctors; you also rated the monthly premium, ease of obtaining prescription drugs, and the health plan's approach to care as highly important.
- Overall, you thought that the open enrollment booklet was easy to use.
- Many of you felt that most of the open enrollment booklet was helpful in making a health plan decision.
- Of those who added comments, the majority said that we should "Keep up the good work!" Several people asked us to make it clearer that you don't need to take any action if you aren't changing plans. (Although we can emphasize this reminder in your open enrollment packet, we want to be sure you review any changes to your coverage so you know whether you need to change plans during open enrollment.)

We'll continue to work hard to improve the open enrollment materials, giving you the information you need in an understandable format. We know that understanding your health care coverage can be challenging, but we'll try our best to help you get the most out of your health care benefits. If you have a suggestion, feel free to contact us through the Public Employees Benefits Board (PEBB) Web site at www.wa.gov/hca/feedbackpebb.htm or write to: Health Care Authority, Public Employees Benefits Board, P.O. Box 42684, Olympia, WA 98504-2684.

Do You Have A New Address?

If you've moved, please contact the Health Care Authority to make sure we have your home address. We want to be sure you get future information on your health care benefits!

Did You Know...

**...you can find information on your PEBB coverage online?
Visit www.wa.gov/hca/pebb.htm**

Retirees Can Waive Enrollment in PEBB Coverage

Retirees can now waive enrollment in their PEBB retiree health care coverage if they enroll in other comprehensive, employer-provided coverage (either through re-employment or their spouse's/same-sex domestic partner's coverage). Please note that other group retiree coverage doesn't qualify as "employer-provided coverage." Employees must qualify as PEBB retirees when they leave employment with Washington State, as outlined in WAC 182-12-117. Within 60 days from the date the "employer provided" coverage ends, retirees must apply for PEBB retiree coverage and provide proof they were

continually covered during the waiver period.

For details on these changes, call a Health Care Authority benefits specialist at 1-800-200-1004 (then press 3).

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